

Decision No. 38596

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of A. J. CHAPIN and IONE C. CHAPIN, his wife, to sell property and transfer operative rights, and CALTRANSIT LINES, a California Corporation, to acquire properties and operative rights of a passenger stage service in Salinas, California and vicinity; CALTRANSIT LINES, a California Corporation, requests a new Certificate of Public Convenience and Necessity to operate a passenger stage service in Salinas and vicinity upon the cancellation of the old Certificate and for authority to issue securities and assume certain obligations.

ORIGINAL

Application
No. 27114

BY THE COMMISSION:

O P I N I O N

In this application, the Railroad Commission is asked to make an order:

1. Authorizing A. J. Chapin and Ione C. Chapin to sell and transfer to Caltransit Lines, a corporation, certain passenger stage properties and rights, including the certificate of public convenience and necessity acquired by them from Bruce W. Robb under authority granted by Decision No. 37824, dated April 24, 1945.
2. Authorizing Caltransit Lines to issue its capital stock in the amount of \$10,000, or such other amount as the Commission may authorize, to execute a chattel mortgage and to issue a note for \$42,716.66.

3. Granting to Caltransit Lines a new certificate of public convenience and necessity in lieu of the certificate to be acquired from A. J. Chapin and Ione C. Chapin.

This application involves the passenger stage service given in and about the City of Salinas. For many years such service was performed by one Bruce W. Robb who, in 1942, by Decision No. 35366, dated May 12, 1942, as amended, was granted a certificate of public convenience and necessity in lieu of certificates theretofore held by him, authorizing the transportation of passengers and baggage, by passenger vehicles, between the following named termini, and all intermediate points:

1. Salinas and Salinas Airport.
2. Salinas, Monterey County Hospital and Camp Kaiser.
3. Salinas, East Salinas, United States Government Airbase and Camp McCullum.
4. Salinas, Spreckels Junction, Spreckels and Riverside.

Under authority granted by Decision No. 37824, dated April 24, 1945, as amended, Bruce W. Robb transferred his passenger stage lines and properties, including the aforesaid certificate and seven buses, together with certain non-utility garage properties, to A. J. Chapin and Ione C. Chapin under the terms of an agreement dated February 10, 1945, for the sum of \$70,000, of which sum \$50,000 was assigned by A. J. Chapin to the passenger stage line and rights and \$20,000 to the garage properties and business. The Commission subsequently was advised that the Chapins took over the passenger stage business on May 1, 1945, with assets and liabilities as follows:

Assets

Cash	\$ 5,600.00
Passenger buses	37,660.60
Materials, supplies, equipment	3,176.80
Organization expense	200.00
Goodwill	19,454.80
	<u>19,454.80</u>
Total	<u>\$66,092.20</u>

Liabilities

Capital investment	\$ 5,600.00
Accrued depreciation	10,492.20
Contract payable	50,000.00
	<u>50,000.00</u>
Total	<u>\$66,092.20</u>

The order of the Commission in Decision No. 37824 permitted the Chapins to charge the \$200 of organization expenses to intangible capital and the \$19,454.80, designated as goodwill, to other debit accounts to be amortized over a period of five years by charges to income. The contract payable to Bruce W. Robb is secured by a chattel mortgage.

Between May 1 and September 30, 1945, the Chapins borrowed \$15,237.90 from The Capital National Bank of Sacramento, which amount was reduced to \$13,714.11 by September 30; placed into service two new buses and one rebuilt bus, together with certain other equipment, and expended in excess of \$4,000 for repairs to buses. Their earnings for the five months are reported as follows:

Passenger bus revenue	\$43,814.93	
Chartered bus	<u>1,206.25</u>	
Total revenue		\$45,021.18
Expenses including depreciation		<u>32,405.93</u>
Net Profit		\$12,615.25

It appears that the Chapins desire the business and properties to be owned and operated by a corporation and therefore

have made arrangements to sell and transfer their equipment and rights to Caltransit Lines, a corporation they have caused to be organized.

In acquiring such equipment and rights Caltransit Lines proposes to issue \$10,000 of stock, or such other amount as the Commission might authorize, and to assume the outstanding liabilities. Bruce W. Robb has consented to the assignment by A. J. Chapin and Ione C. Chapin to Caltransit Lines of their rights under the agreement of February 10, 1945, under which the Chapins are purchasing his properties and rights. It is provided in the consent to the assignment that Caltransit Lines may execute a new chattel mortgage and note to Bruce W. Robb for the unpaid balance of the purchase price, reported in the present application at \$42,716.66, or that in lieu of executing a new chattel mortgage and note it may be substituted and be bound by the chattel mortgage heretofore executed by the Chapins. The application indicates that the corporation proposes to execute a new chattel mortgage.

The equipment to be transferred is reported carried on the books at a total figure, depreciated, of \$46,384.38. However, as stated, since acquiring most of the buses on May 1, 1945, the Chapins have expended considerable sums for repairs to equipment. They report the present value of the equipment at \$50,881. On this basis the financial condition as of September 30, 1945, might be stated as follows:

<u>Assets</u>	
Buses and equipment	\$50,881
Organization expenses	200
Current assets	<u>8,836</u>
Total assets	<u><u>\$59,917</u></u>

Liabilities

Bank loan	\$13,714	
Contract payable	42,717	
Accounts payable	<u>3,021</u>	
Total liabilities		\$59,462
Balance		<u>455</u>
Total		<u>\$59,917</u>

The Commission has no objection to the transfer of the properties and rights to Caltransit Lines and will so authorize. The action taken herein shall not be construed to be a finding of value for any purpose other than the proceeding herein involved. Upon the present information the Commission at this time will authorize Caltransit Lines to issue \$500 par value of its stock, it being the opinion of the Commission that the money, property, or labor to be procured or paid for through the issue at this time of \$500 of stock and a new note for \$42,717 is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. The Commission, upon request in the future, will give consideration to the issue of additional stock to pay indebtedness assumed by Caltransit Lines or to reimburse its treasury because of earnings hereafter used to pay such indebtedness. We believe that Caltransit Lines should use its surplus earnings to increase its capital stock equity. The order herein will direct the company to appropriate from earnings by charges to account 2945, Other Appropriations, amounts equal to the payments on the new note and credit such appropriations to account No. 2690, Other Reserves, and held in such account subject to further order of the Commission.

Upon acquiring the rights and properties of A. J. Chapin and Ione C. Chapin, Caltransit Lines requests the cancellation of all certificates and decisions heretofore granted pertaining to the passenger stage service involved herein, and the issuance to it, simultaneously, of a new certificate of public convenience and necessity for the operation of a passenger stage service as a common carrier between Salinas, Santa Rita, Kaiser Camp, East Salinas (Alisal District), Camp McCullum, Eckhart Seed Company, Spreckels, Riverside and Boronda and intermediate points. The specific routes are set forth in the order following this opinion.

It appears that the proposed changes in routes will not result in any increases in fares but should result in additional and improved service. The Commission has been advised that the City Manager of the City of Salinas has approved the changes in service. No protest has been filed with the Commission.

The changes proposed by applicant appear to be in the public interest. The order herein will grant the certificate as requested. Caltransit Lines is hereby placed upon notice that operative rights, as such, do not constitute a class of property which may be capitalized or used as an element of value in rate fixing for any amount of money in excess of that originally paid to the State as the consideration for the grant of such rights. Aside from their purely permissive aspect, they extend to the holder a full or partial monopoly of a class of business over a particular route. This monopoly feature may be changed or destroyed at any time by the State, which is not in any respect limited to the number of rights which may be given.

ORDER

The Commission having considered the matter and being of the opinion that a public hearing is not necessary and that the requests of applicants should be granted, as herein provided,

IT IS HEREBY ORDERED as follows:

1. A. J. Chapin and Ione C. Chapin, after the effective date hereof and on or before March 31, 1946, may sell and transfer to Caltransit Lines, a corporation, their operative rights and properties, including the certificate of public convenience and necessity acquired by them from Bruce W. Robb under authority granted by Decision No. 37824, dated April 24, 1945, and may assign to said Caltransit Lines all their interest in their agreement dated February 10, 1945, with said Bruce W. Robb.

2. Caltransit Lines, after the effective date hereof and on or before March 31, 1946, may execute a chattel mortgage in substantially the same form as that filed in this proceeding; may issue a note for not exceeding \$42,717 payable in monthly installments of \$500 or more including interest at the rate of 4% per annum; may assume the payment of other indebtedness of approximately \$16,700; and may issue \$500 par value of its common capital stock, such issue of stock and note and assumption of indebtedness to be for the purpose of acquiring the properties and rights of A. J. Chapin and Ione C. Chapin under the authority herein granted.

3. Caltransit Lines shall, if it acquires said properties, appropriate from earnings by charges to account 2945, Other Appropriations, amounts equal to the payments on said \$42,717 note, and credit such appropriations to Account No. 2690, Other Reserves, subject to further order of the Commission.

4. The application in so far as it involves the issue by Caltransit Lines of \$9,500 of stock is dismissed without prejudice.

5. The operative rights acquired by A. J. Chapin and Ione C. Chapin under authority granted by Decision No. 37824, dated April 24, 1945, are hereby revoked and annulled.

6. A certificate of public convenience and necessity is hereby granted to Caltransit Lines authorizing the establishment of service as a passenger stage corporation, as defined in Section 2 $\frac{1}{2}$ of the Public Utilities Act, for the transportation of passengers and baggage between points in Salinas, California, Santa Rita, Kaiser Camp, East Salinas (Alisal District), Camp McCullum, Eckhart Seed Company, Spreckels, Riverside and Boronda, and intermediate points, over and along the following routes:

Route I

Between the intersection of Main St. and Alisal St., Salinas, and Santa Rita (Community, distance 3.4 miles), Main St., U. S. Highway 101 to Santa Rita.

(A) Beginning at the intersection of U. S. Highway 101 and Rochex (Salinas Airport), thence Rochex, South 4th St., Curtis St., 3rd St., Boeing St., 1st St., Curtis St., East Curtis St., Tapadero St., Chaparral St., to the intersection of Chaparral St. and U. S. Highway 101.

(B) Beginning at the intersection of Bernal Dr. (Rd) and North Main St. (U. S. Highway 101, Sherwood Park District), Bernal Dr. (Rd), Natividad Rd. to Kaiser's Permanente Plant (6.8 miles), detouring on an appropriate road to serve Monterey County Hospital.

Route II

Beginning at the intersection of Main St. and East Market St., (Salinas), East Market St., Quilla St., Paloma St., Sycamore St., Afton St., Miami St., Cross Ave., Bardin Rd., Williams Rd., Del Monte Ave., Pacific Ave., Garner Ave., Sanborn Rd., to the intersection of Sanborn Rd. and Del Monte Ave.

- (A) Beginning at the intersection of East Market St. and Towt St.; Towt St., Kentucky St., Linden Ave., Oregon St., Sanborn Rd., Juanita Ave., Williams Rd., to the intersection of Bardin Rd. and Williams Rd.

Route III

Between the intersection of Main St. and Alisal St., (Salinas), and Camp McCullum, Alisal Rd., to Camp McCullum, detouring over an appropriate road to serve the U. S. Army Air Base.

- (A) Beginning at the intersection of Alisal Rd. and Heberon St., Heberon St., East St., Sanborn Rd., Connely St., Eucalyptus Dr., to Market St.
- (B) Between intersections of Alisal Rd. and Griffin St. and East Market St. via Griffin St.
- (C) Between the intersection of North Main St. and Monterey St., and the intersection of Monterey St. and Alisal Rd. via Monterey St., Salinas.

Route IV

Beginning at the intersection of Gabilan, Salinas, via Cabilan St., Front St., Abbott St., U. S. Highway 101, Harkins Rd. (Spreckels), Spreckels Rd., (near Riverside), Salinas-Monterey Rd., South Main St., to intersection of South Main St. and Alisal Rd., Salinas.

- (A) Beginning at Junction U. S. Highway 101 and Harkins Rd. (Spiegel Foods Co.) via U. S. Highway 101 to Eckhart Seed Co.
- (B) Beginning at the intersection of Railroad Ave. and Spreckels Rd. (Spreckels), Railroad Ave., 3rd St., Llano St., to Spreckels Rd.

Route V

Beginning at the intersection of Central Ave. and North Main St., Central Ave., Lincoln Ave., Natividad Rd., West Market St., Boronda Rd. (Boronda District), Airport Rd., to North Main St., (U. S. Highway 101).

- (A) Between the intersection of Natividad Rd. and West Market St., and unnamed street and North Main St. via Natividad Rd. and unnamed street.

Route VI

Beginning at the intersection of Gabilan St. and Main St., Gabilan St., Capitol, Park St., Villa, Wilson, Santa Barbara, Nacional, Central, Lorimer, Alisal, Homestead, Iverson, Lang, Riker, Alisal, Salinas (Clay), Winham, Front, Maple, Carmel, Santa Lucia, Laureles, El Paso, Alameda, Romie Lane, California to Winham.

(A) Between the intersections of Salinas and Gabilan, and Salinas and Alisal St., via Salinas.

7. Caltransit Lines shall file its written acceptance of the certificate herein granted within thirty (30) days from the effective date hereof.

8. Caltransit Lines and A. J. Chapin and Ione C. Chapin shall comply with the provisions of General Order No. 79 and Part IV of General Order No. 93-A by filing, in triplicate, and concurrently making effective, appropriate tariffs and time tables within sixty (60) days from the date hereof and on not less than one (1) day's notice to the Commission and the public.

9. Caltransit Lines shall file with the Commission a report, or reports, as required by General Order No. 24-A, and a copy of the chattel mortgage if executed by it, within thirty (30) days after such execution.

10. The authority herein granted will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 15th day of January, 1946.

Harold Anderson
Justice J. Cresswell
James D. ...
James H. ...
Harold P. ...
 Commissioners